



FEATURED OPTIONS RADAR REPORT



Activision Bulls Pile into Weakness Ahead of Major Launch Cycle

Ticker/Price: ATVI (\$93.70)

Analysis:

Activision Blizzard (ATVI) shares back at May VPOC and key YTD volume support today and buyers opening 1,200 November \$92.50 calls for \$7.60 and later 2000 of the \$95 calls at \$6.45. ATVI has seen buyers this week of 10,000 November \$100 calls for \$5.4M and also buyers of 10,000 November \$105 calls for \$4.35M while bullish July call buying in the \$95 strike has accumulated as well over 4000X. Shares are putting in a reversal candle today with room to bounce in the near-term while the three-month range measures out to \$110 on a breakout higher. The \$72B company trades 21X earnings, 8.5X sales, and 25.3X FCF with a small yield and high-teens growth. Videogame developers have lagged a bit recently amid concerns of a slowdown in gaming during the reopening but NPD data for May was a boost to confidence this week showing 3% growth despite all the headwinds. ATVI recently launched season three of CoD which was a major refresh of the experience and in May noted strong early adoption while their mobile launch has been very successful in terms of player engagement and investment. Analysts have an average target for shares of \$110 with a Street High \$125. BMO upgrading shares to Outperform in May citing a positive view on their long-term strategy and more confirmation that the company is on the right path after recent strong performances of Call of Duty and World of Warcraft titles. Benchmark raising estimates in May as well as they think upcoming product launches should deliver a step up in growth while execution and strong guidance should help dampen FY21 reopening risk concerns. Short interest is 1.15% and near three year lows. Hedge fund ownership fell 2% last quarter, Melvin Capital a buyer of call options. Insiders active recently too with a director buying \$2M in stock at \$93.50-\$95 in May.

Hawk Vision:



Hawk's Perspective: ATVI has been frustrating to trade within this range but it remains a best-in-class name and back at a nice support level with today's lows a nice risk/reward level to position against

Confidence Ranking: \$\$